

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 INRE-00 NSCE-00 SSO-00 USIE-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 AID-05 CEA-01 COME-00 EB-07

EA-07 FRB-03 IO-13 NEA-10 OPIC-03 TRSE-00 CIEP-01

LAB-04 SIL-01 OMB-01 EURE-00 OIC-02 FEA-01 /114 W

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TO SECSTATE WASH DC IMMEDIATE 3576

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E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: XCSS OCTOBER 14-15: HEADS OF DEL DISCUSSION

SEPT. 28

1. FOLLOWING IS SUMMARY OF SEPT. 28 HEADS OF DEL DISCUSSION ON AGENDA FOR OCTOBER 14-15 XCSS. KEY ITEMS OF INTEREST WERE OUTLINED BY SECRETARIAT OF ORGANIZATION IT FORESEES FOR DISCUSSION OF NORTH-SOUTH ISSUES AND OBJECTION BY FRENCH, SUPPORTED BY SEVERAL OTHERS, TO IDEA THAT XCSS, RATHER THAN PERMANENT REPRESENTATIVES, SHOULD CARRY OUT WORK ON EAST-EST ECONOMIC RELATIONS.

NORTH-SOUTH

2. SECRETARIAT OUTLINED THREE MAIN QUESTIONS WHICH XCSS MIGHT ADDRESS AT OCTOBER MEETING: 1) LONG-TERM ORIENTATION OF DC-LDC ECONOMIC RELATIONS AND DC OBJECTIVES, BOTH ECONOMIC AND POLITICAL, IN THE DIA-LOGUE (SECRETARIAT PAPER WILL BE FORTHCOMING ON THIS ITEM); 2) OVERALL VIEW OF POSSIBLE RESULTS BY END OF  
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CIEC, PARTICULARLY THE MINIMUM CONDITIONS UNDER WHICH

THE VARIOUS GROUPS OF COUNTRIES INVOLVED WOULD CONSIDER THE CONFERENCE A SUCCESS; AND 3) EXAMINATION OF SPECIFIC PROBLEMS OF A HORIZONTAL NATURE, SUCH AS TRADE AND INVESTMENT, WITH A VIEW TO ASCERTAINING POINTS WHERE FURTHER PROGRESS WAS ESSENTIAL. ONLY SIGNIFICANT COMMENT ON THIS PRESENTATION WAS BY US DEL (KATZ), WHO SAID WASHINGTON WAS CONSIDERING SPECIFICS OF FOLLOW UP TO SECRETARY KISSINGER'S PROPOSALS AT OECD MINISTERIAL, WHICH STRESSED IMPROVED DC COORDINATION WITH RESPECT TO ONGOING NEGOTIATIONS, IMPROVED AID COORDINATION, AND DEVELOPMENT OF LONGER-TERM INTEGRATED APPROACH TO RELATIONS WITH LDC'S.

EAST-WEST

3. SECRETARIAT INTRODUCED SUBJECT BY DESCRIBING DOCUMENTS JUST ISSUED IN RESPONSE TO INSTRUCTION OF JULY XCSS MEETING AND STATING IT NOW UP TO GOVERNMENTS TO SAY HOW THEY WISH TO PROCEED. DISCUSSION WAS DEVOTED PRIMARILY TO PROCEDURAL ISSUE RAISED BY FRENCH REP (AMB. BOEGNER), WHO THOUGHT E-W, UNLIKE N-S, COULD AND THEREFORE SHOULD BE DEALT WITH BY PERMANENT REPRESENTATIVES IN COUNCIL OR HEADS OF DEL RATHER THAN BY "PARALLEL SUBSTITUTE BODY" (XCSS). MAIN THRUST OF HIS ARGUMENT WAS THAT N-S DISCUSSIONS WERE FOCUSED MAINLY ON NEGOTIATIONS TAKING PLACE IN CIEC OR OTHER INTERNATIONAL ORGANIZATIONS AND IT WAS THEREFORE APPROPRIATE TO PUT IT IN THE HANDS OF OFFICIALS FROM CAPITALS RESPONSIBLE FOR THOSE NEGOTIATIONS. E-W DISCUSSION ON THE OTHER HAND WOULD HAVE MAJOR IMPACT ON OECD'S OWN WORK PROGRAM AND REQUIRE CONTINUAL SUPERVISION BY POLICY LEVEL OF THE ORGANIZATION. BOEGNER FURTHER ARGUED THAT ALLOWING XCSS FULL SOVEREIGNTY TO DECIDE ITS AGENDA AND TO KEEP DISCUSSION OF CERTAIN SUBJECTS TO ITSELF WAS INCONSISTENT WITH COUNCIL'S DUTY TO ORGANIZE OECD WORK. ITALY AND AUSTRIA SUPPORTED FRANCE. SEC GEN VAN LENNEP REPLIED BY NOTING THAT ALL XCSS WORK WAS REFERRED BACK TO COUNCIL IN LAST ANALYSIS AND THAT IN HIS VIEW COUNCIL SHOULD NOT NORMALLY INTERFERE IN WORK OF COMMITTEES LIMITED OFFICIAL USE

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UNLESS THEY WENT OUTSIDE THEIR MANDATE. SEC GEN NOTED HE WOULD NOT HAVE PUT E-W ITEM ON XCSS AGENDA IF HE THOUGHT IT OUTSIDE XCSS MANDATE.

4. FRENCH REP ASSURED HEADS OF DEL HE DID NOT MEAN TO CAST DOUBT ON SEC GEN'S JUDGMENT ON THIS MATTER OR CRITICIZE US FOR PROPOSING XCSS TAKE UP E-W QUESTION, AND HAD NO DESIRE TO STERILIZE XCSS OR REQUIRE POSITIVE

APPROVAL BY COUNCIL OF LOWER BODIES' ACTIVITIES.  
BOEGNER REEMPHASIZED, HOWEVER, HIS VIEW THAT COUNCIL  
SHOULD PLAY MORE IMPORTANT ROLE IN ORGANIZING WORK IN  
OECD. US DEL INTERVENED TO STRESS APPROPRIATENESS  
OF XCSS CONSIDERATION OF E-W QUESTION BECAUSE OF  
ATTENDANCE BY SENIOR FOREIGN ECONOMIC POLICY

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OFFICIALS AND SPECIFIC MANDATE OF GROUP TO CONSIDER  
INTERRELATIONSHIPS OF VARIOUS FUNCTIONAL FACETS OF  
PROBLEMS. HE NOTED US DID NOT DISAGREE WITH OTHERS  
ON QUESTION OF ULTIMATE SUPREMACY OF COUNCIL UNDER  
THE OECD CONVENTION.

5. AT THE END OF SESSION, BELGIAN REP SUGGESTED THAT  
XCSS CONFINE ACTION TO DISCUSSION OF SECRETARIAT DOCU-  
MENTS. XCSS PROPOSALS FOR FUTURE WORK SHOULD BE  
SUBMITTED TO COUNCIL FOR DECISION. SECGEN VAN LENNEP  
SAID THIS WAS WHAT HE HAD IN MIND.

6. COMMENT AND RECOMMENDATION: GIVEN THE SENSITIVITIES OF SOME OF THE PERMANENT REPRESENTATIVES AS EVIDENCED IN THE HEADS OF DEL DISCUSSION ON E-W, AND THE CLEAR JURIDICAL RESPONSIBILITY OF THE OECD COUNCIL FOR PARCELING OUT AND COORDINATING WORK AMONG EXISTING BODIES OF THE ORGANIZATION, WE BELIEVE THE OUTCOME OF THE XCSS DISCUSSION ON THIS QUESTION SHOULD HAVE TWO LIMITED OFFICIAL USE

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PARALLEL ELEMENTS: 1) THE XCSS SHOULD RECOMMEND TO THE OECD COUNCIL THAT IT TAKE STEPS TO INTENSIFY THE WORK IN EXISTING BODIES AND IN PARTICULAR TO HAVE THESE BODIES EXAMINE CERTAIN SPECIFIC QUESTIONS IN AREAS SUCH AS ENERGY, AGRICULTURE, TRADE, SHIPPING, FINANCE, DEBT, AND TECHNOLOGY TRANSFER WHICH THE XCSS MAY HAVE IDENTIFIED AS BEING OF INTEREST; AND 2) THE XCSS SHOULD ASK THE SECRETARY GENERAL TO UNDERTAKE, IN COOPERATION WITH EXPERTS FROM CAPITALS A STUDY OF THE INTERRELATIONSHIPS OF VARIOUS E-W ISSUES IN A LONGER TERM PERSPECTIVE, INCLUDING THOSE INVOLVING THE THIRD WORLD, AND TO REPORT BACK TO XCSS. EXPERTS IN THIS CASE WOULD HAVE TO BE OFFICIALS WITH THE INTELLECTUAL CAPABILITY TO TAKE A BROAD-GAUGED VIEW OF EAST-WEST ECONOMIC RELATIONS, AND IT WOULD BE IMPORTANT TO MAKE THIS POINT IN THE KEY OECD CAPITALS. THE EXPERTS WOULD NOT BE INVOLVED IN PARCELING OUT OR COORDINATING WORK FOR OTHER COMMITTEES (WHICH, AS NOTED ABOVE, IS A COUNCIL FUNCTION), BUT WOULD PREPARE GROUND FOR DISCUSSIONS OF AN INTERDISCIPLINARY NATURE IN XCSS ITSELF. MISSION BELIEVES THAT INCLUDING SOMETHING ALONG THE LINES OF THE FIRST ELEMENT, A RECOMMENDATION TO THE COUNCIL, SHOULD HELP REDUCE THE DANGER OF COUNTRIES POSING PROCEDURAL OBJECTIONS TO THE SECOND ELEMENT, AND THAT THIS TWO-PRONGED APPROACH SHOULD BE PART OF PRE-XCSS DEMARCHE US SHOULD MAKE TO KEY OECD CAPITALS. KATZ

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